

BEFORE THE
UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Market Dominant Product Prices
Inbound Market Dominant Multi-Service Agreements
with Foreign Postal Operators 1

Docket No. R2015-1

Korea Post–United States Postal Service
Bilateral Agreement (MC2010-35)
Negotiated Service Agreement

PUBLIC REPRESENTATIVE COMMENTS ON
MODIFICATION OF BILATERAL AGREEMENT WITH KOREA POST

(October 23, 2014)

The Public Representative hereby provides comments pursuant to Order No. 2216.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service notice of a modification of the bilateral agreement with Korea Post.² The Commission approved the original agreement in Docket No. 2013-9.³ The Postal Service notes two primary purposes for the modification: to extend the Agreement until November 30, 2015 and to revise the “Financial Requirements” section of Annex 2 of the Agreement.

COMMENTS

The Public Representative has reviewed the Korea Post Agreement and the supporting financial model filed under seal that accompanied the Postal Service’s Notice. Based upon that review, the Public Representative concludes that the Korea

¹ PRC Order No. 2216, Notice and Order Concerning Korea Post Negotiated Service Agreement, October 23, 2014.

² Notice of United States Postal Service of Type 2 Rate Adjustment, and Notice of Filing Functionally Equivalent Bilateral Agreement. October 15, 2014 (Notice).

³ See Order No. 1864.

Post Agreement is likely to improve the net financial position of the Postal Service or otherwise enhance the operational performance of the Postal Service during the term of the Agreement.

With respect to functional equivalence, the Public Representative considers the Korea Post Agreement to be functionally equivalent to the China Post 2010 Agreement, as this is the agreement the Postal Service identified as appropriate for purposes of comparison to identify material differences between the two agreements.⁴

Statutory Criteria. Under 39 U.S.C. § 3622(c)(10), the criteria for Commission review are whether a Postal Service agreement (1) will be available on public and reasonable terms to similarly situated mailers, (2) either improves the net financial position of the Postal Service or enhances the performance of operational functions, and (3) will not cause unreasonable harm to the marketplace.

With respect to criterion (2), the negotiated rates for inbound letterpost small packets with delivery scanning represent an improvement compared to the default terminal dues rates established by the UPU. Based upon the negotiated rates, the financial model indicates that the Korea Post Agreement will generate unit revenue on projected volumes in excess of estimated unit attributable costs, resulting in a positive cost coverage during the term of the agreement. The Korea Post Agreement should also improve the operational performance of the Postal Service. Notice at 4-5. With respect to criteria (1) and (3), the Postal Service makes reasonable arguments that they are not implicated by the inbound Korea Post Agreement. *Id.* at 6-7.

Functional Equivalence. In its Notice, the Postal Service asserts that the Korea Post Agreement is functionally equivalent to the China Post 2010 Agreement. The Postal Service compares the Korea Post Agreement with the China Post 2010 Agreement, and identifies the material differences.⁵ In the Public Representative's view, these changes do not affect the similarity of the cost or market characteristics between the two agreements.

⁴ Notice at 2.

⁵ Notice at 8-10.

For the above reasons, the Public Representative supports approval of the Korea Post Modification.

John P. Klingenberg
Public Representative

901 New York Ave. NW
Washington, DC 20268-0001
202-789-6863
klingejp@prc.gov